

Honolulu, Hawaii

APR 10 2015

RE: H.B. No. 1471  
H.D. 2  
S.D. 2

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B.  
No. 1471, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE FUNDING OF GOVERNMENT  
PROGRAMS, "

begs leave to report as follows:

The purpose and intent of this measure is to apply a fair and equitable taxation policy to all fossil fuels to advance Hawaii's clean energy, food security, and climate change policies.

More specifically, this measure:

- (1) Imposes the environmental response, energy, and food security tax on fossil fuel sold by a distributor to any retail dealer or end user;
- (2) Exempts coal used to fulfill a signed power purchase agreement between an independent power producer and an electric utility from the environmental response, energy, and food security tax on fossil fuel;
- (3) Authorizes an independent power producer to pass the environmental response, energy, and food security tax on fossil fuel to an electric utility, who may then recover the cost of the tax through an appropriate surcharge to the end user;



- (4) Authorizes a gas utility to recover the cost of the environmental response, energy, and food security tax on fossil fuel without further approval by the Public Utilities Commission; and
- (5) Defines the terms "barrel" and "fossil fuel."

Your Committee received written comments in opposition to H.B. No. 1471, H.D. 2, S.D. 1 from Hawaiian Electric Company, Inc. Your Committee received written comments on the S.D. 1 from AES Hawaii and the Tax Foundation of Hawaii.

For purposes of a public hearing, your Committee circulated a proposed Senate Draft 2 (Proposed Draft) of the measure, and notified the public that your Committee would be accepting testimony on the Proposed Draft, which addresses the funding of government programs.

More specifically, the Proposed Draft:

- (1) Deletes the contents of the measure as received by your Committee;
- (2) Provides for the transfer of moneys from the environmental response revolving fund into the general fund if the ending balance exceeds a certain amount at the end of a fiscal year, and deletes provisions requiring certain positions to be funded by the environmental response revolving fund;
- (3) Makes an appropriation to the Legislative Reference Bureau for the updating of its 2002 invasive species study;
- (4) Forces the lapse of certain appropriations for fiscal year 2014-2015 that are not expected to be expended; and
- (5) Re-appropriates some of the lapsed appropriations.

Your Committee received written comments in support of the Proposed Draft from the Department of Business, Economic Development, and Tourism; Department of Taxation; Department of Land and Natural Resources; and Department of Health. Your Committee received written comments on the Proposed Draft from the Hawaii Strategic Development Corporation.



Your Committee finds that changing the source of financing for certain positions from the environmental response revolving fund to the general fund may make the environmental response revolving fund more financially sustainable. Your Committee also finds that the Legislative Reference Bureau's invasive species study, "Filling the Gaps in the Fight Against Invasive Species" was instrumental in shaping the State's strategy for invasive species prevention, control, research, and outreach. As it has been over a decade since the report was issued, your Committee believes that an appropriation to conduct an update of the study will assist the State in its fight against invasive species.

Your Committee also finds that this measure enables the savings of the forced lapses to be identified as part of the carryover balance for fiscal year 2014-2015 in the state financial plan. Your Committee believes that this approach is more efficient than allowing the unexpended and unencumbered amounts to lapse. Your Committee notes that the lapsing, repeal, or reduction of the appropriations for fiscal year 2014-2015 by this measure is not intended to reduce the base budget of the affected programs. Your Committee also believes that the re-appropriation of these lapsed moneys, to be used only if the required general fund appropriations are lapsed, allow for the moneys to be appropriately and efficiently used.

Your Committee has amended this measure by adopting the Proposed Draft with the following further amendments:

- (1) Deleting the language that designated the Department of Business, Economic Development, and Tourism as the expending agency for general fund moneys that are being deposited into the Hawaii strategic development corporation revolving fund for the HI-Growth Initiative;
- (2) Appropriating \$5,000,000 out of the Hawaii strategic development corporation revolving fund for the HI-Growth Initiative to be expended by the Hawaii Strategic Development Corporation;
- (3) Adding language to preserve from repeal on June 30, 2030, the amendments being made to section 128D-2, Hawaii Revised Statutes, by this measure; and



- (4) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1471, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1471, H.D. 2, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



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JILL N. TOKUDA, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>HB 1471, HD2, SD1</b>	Committee Referral: <b>ENE/CPN, WAM</b>	Date: <b>4/6/15</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Pass, unamended 2312         </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, with amendments 2311         </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310         </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313         </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	✓			
KOUCHI, Ronald D. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
GALUTERIA, Brickwood				✓
HARIMOTO, Breene	✓			
INOUE, Lorraine R.	✓			
RIVIERE, Gil	✓			
RUDERMAN, Russell E.	✓			
SLOM, Sam	✓			
TOTAL	10	0	0	1
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted           <input type="checkbox"/> Not Adopted         </div>				
Chair's or Designee's Signature: <span style="font-family: cursive; font-size: 1.2em;">M. N. M.</span>				
<div style="display: flex; justify-content: space-between; font-size: 0.8em;"> <div>Distribution:</div> <div>Original</div> <div>Yellow</div> <div>Pink</div> <div>Goldenrod</div> </div> <div style="display: flex; justify-content: space-between; font-size: 0.8em; margin-top: 2px;"> <div>File with Committee Report</div> <div>Clerk's Office</div> <div>Drafting Agency</div> <div>Committee File Copy</div> </div>				

\*Only one measure per Record of Votes